Inner City Housing Foundation

Business Plan

Toward Home Ownership
in a Community Building Context

Proposed by

The Inner City Housing Foundation Working Group

November, 1999

1. Introduction

The Inner City Housing Foundation will be a newly established non-profit, independent, non-governmental entity which will be governed by a Board of Directors consisting of representatives from the voluntary, private and public sectors. The Foundation will act as an intermediary to mobilize social and economic investment for inner city housing renewal. Neighbourhood or community based intermediaries such as community development corporations or non-profit housing groups would submit business plans on annual basis to apply for funding for housing initiatives within their community. The community based intermediaries would have to demonstrate capacity in the areas of community development, construction management and financial management.

The Inner City Housing Foundation is not a replacement for government subsidy and support for social housing. It is not a panacea or a single solution for addressing inner city housing revitalization in Winnipeg. The Foundation will be one resource within a continuum of resources required for a comprehensive approach for inner city housing renewal.

The goal of the Inner City Housing Foundation is to procure a capital base of $38 million over a five year period of time. The Foundation would be initially capitalized with contributions from the federal, provincial and municipal levels of government, as well as the voluntary and private sector. Starting in the fifth year, the earnings of the capital fund will finance the ongoing operational costs and the funding for the housing renewal program offered by the Foundation. The Foundation will supplement the earnings of the capital fund with an annual fundraising campaign. The Foundation will provide the inner city with an annual housing renewal resource in perpetuity in order to engage in the required long term approach for meaningful inner city revitalization.

The mandate of the Inner City Housing Foundation will be to build community, not just houses. The Foundation, therefore, will provide funding for the "soft costs" of housing renewal i.e. community development, home ownership training and resident supports as well as the "hard costs" i.e. renovation grants, construction management and financial management. The private financial sector will provide market rate mortgages to finance acquisition and a portion of the renovation costs of each home.

The Inner City Housing Foundation will have a target to provide funding for the renovation of 100 to 150 houses on an annual basis. In one model, the maximum mortgage for each home will be $30,000 in order that the houses remain affordable for low and fixed income families and individuals. In many instances, the neighbourhood or community based intermediaries would own and manage the houses for a set period of time i.e. 5 years. During this period of time, the family or individual would be assisted to make the transition to become a home owner. After the 5 year transitional period, the family or individual has the option to take title of the home in which they live.

2. Vision Statement

In partnership with the voluntary, private and public sectors, the Inner City Housing Foundation will facilitate social and economic investment in our community by providing new, innovative sources and mechanisms for financing the acquisition and development of low-income, community based housing.

3. Background

3.1 Why is an inner city housing foundation required ?

According to 1996 census data there are 50,785 dwellings in Winnipeg's inner city of which 6,120 homes are in need of major repairs. In the north end there are 14,675 dwellings of which 2,090 are in need of major repairs; in the Spence neighbourhood there are 1,625 dwellings of which 180 are in need of major repairs; and in West Broadway there are 2,985 dwellings of which 475 are in need of major repairs. On average, there are 250 boarded-up houses in the inner city on an annual basis. In 1998, 87 homes were demolished by the City of Winnipeg. By June of 1999, 45 houses had been demolished. Arson has become an epidemic in our community. Since the fall of 1998, there have been over 100 arsons in boarded up houses in the north end. Winnipeg ranks at the top of the list nationwide when it comes to arson. In 1998, 42% of the 3,500 fires in Winnipeg were classified as arsons or suspicious. The national average is 17%.

The average monthly rent in the inner city of Winnipeg according to 1996 census data was $463. The monthly social assistance rental allowance for a family of four was $351. The monthly mortgage payment (p.i.t.) on a home purchased for $30,000 is $300. Despite the obvious cost advantages of a mortgage compared to monthly rent payments, people on social assistance and some working class families have great difficulties in securing down payments and mortgage financing, even though they demonstrate an ability to pay monthly mortgage payments.

In 1998, 241 single family dwellings were sold for under $25,000 in the inner city Multiple Listing Service areas 4A, 4B, 4C, 5A, 5B, 5C, 5D and 9A. The average sale price of a home in the north end (Multiple Listing Service area 4A) was $39,925 in 1988 and declined to $19,090 in 1999; in the west end (MLS area 5A) the average sale price was $43,945 in 1988 and declined to $23,899 in 1999; and in the central city area (MLS area 9A) the average sale price declined from $37,913 in 1988 to $19,167 in 1999.

This drastic decrease in the market value of homes in the inner city results in a decline in the inner city property tax base. This in turn results in a greater shift in the property tax burden to the suburbs. The cost of neglecting inner city housing, therefore, hits suburban tax payers directly in their pockets. All residents of the city would benefit if the issue of inner city housing revitalization is addressed.

As a result of the serious decline of housing in the inner city and rapidly declining market values, there is a significant gap between the acquisition and renovation costs of a home and its actual end market value. Private housing market forces do not function effectively in low income inner city neighbourhoods. Some form of subsidy is needed in order to do the required upgrading of the housing stock.

Debt servicing costs required to upgrade housing stock in the inner city exceed existing market rents and market property values. Houses can be purchased for $20,000, however these homes typically require a further $20,000 to $30,000 of major system upgrades involving electrical, plumbing, heating, roof, windows, insulation, foundation renovations.

The end result is that the total cost for acquisition and renovation of a home could be as high as $50,000 on streets where the market value of housing could be as low as $19,000. Unless this gap between required renovations and market values is addressed, renewal of existing housing stock will not take place in the inner city.

A strong housing policy is lacking at all levels of government. The current crisis in housing in the inner city provides conclusive evidence that the community sector and the private sector on their own are not able to maintain and improve the quality of housing in the inner city. The public sector must be a partner in any attempt to effectively address the issue of inner city housing renewal.

There is a need for a community, public and private sector partnership approach to address inner city housing rehabilitation. In particular, there is a recognized need to include housing as part of larger neighbourhood-based community development initiatives that apply a community-building approach.

3.2 What is a community-building approach ?

The community-building approach has recently been clearly defined in a report co-published by The Urban Institute and The Development Training Institute Inc., titled **Community Building: Coming of Age.** [1] The central focus of this approach is to foster attitudes of self-reliance, self-confidence, and responsibility among residents of distressed neighbourhoods. Seven themes define these efforts: a greater emphasis on building social and human capital and reinforcing values; community driven, with broad resident involvement where resident groups take a central leadership role in both planning and implementing strategies; comprehensive, strategic and entrepreneurial; asset based; tailored to neighbourhood scale and conditions; collaboratively linked to the broader society; and consciously changing institutional barriers and racism.

3.3 What project types will be supported by the fund ?

There are two types of support required for any community-building housing initiative, hard and soft. The hard supports include renovation grants, property identification and evaluation, property acquisition, planning and design, project renovation, construction management, professional legal and financial services including technical support for funding applications.

It is recognized that many potential home owners will struggle financially to purchase and maintain monthly mortgage payments on a home, in addition to needed repairs. Therefore, soft supports are an equally critical component. This includes community outreach and program promotion, recruitment and selection of participants, home ownership training including budgeting and maintenance, home renovation training, organizational development resources for home ownership support systems, long term program support for maintenance and financial trouble shooting, and linkage to other community development initiatives, strategies, programs and workshops.

The ownership model may vary according to the community-building strategy. Therefore non-profit housing organizations, home ownership cooperatives, co-housing, community land trusts, outright purchase or other ownership form that serves to move residents "toward home ownership" will be eligible for funding.

3.4 Who are targeted residents for housing ?

Any low income working family, person or family on social assistance, including two-parent families, single parent families, senior citizens, people on long term disability incomes, singles or others who demonstrate a capacity to meet scheduled monthly payments over an extended period of time are eligible for rehabilitated housing.

---

[1] Copies of **Community Building: Coming of Age** are available from the Urban Institute Office of Public Affairs; to order, phone (202) 857-8709.

3.5 Who is eligible for the fund ?

The goal of the fund is to generate greater local ownership and control of housing resources for the betterment of inner city neighbourhoods by improving housing and rebuilding communities; and the larger city by eventually reducing the property tax burden on suburban residents who currently shoulder the costs of inner city decline.

Neighbourhood based development corporations, neighbourhood resident associations, Aboriginal organizations, non-profit housing corporations, Winnipeg Housing Rehabilitation Corporation or other representative bodies that can demonstrate, through an effective business plan, that they are working to move residents towards home ownership, that they can provide the necessary hard and soft supports and that they are applying a community-building approach to development can apply to the fund.

3.6 Why housing ?

The importance of high quality, safe, stable and affordable housing is essential for the economic health and well-being of our community. The issue of inner city housing renewal affects the whole city. It is not just an inner city problem. The decline in the market value of inner city housing results in a shifting of the property tax burden to suburban tax payers. The 1998 City of Winnipeg property tax reassessment reduced taxes for inner city wards such as Point Douglas by 4.7% and Daniel McIntyre by 3.28%. In contrast, taxes increased in suburban wards such as Charleswood/Fort Garry by 2.86%; North Kildonan by 1.96%; St.Vital by 1.72 %; and St. Charles by 1.7%. Investment in inner city housing rehabilitation can be viewed as a contributing factor to reduce the property tax burden on suburban residents.

Police forces across the country are beginning to recognize that poor housing conditions, from sub-standard dwellings to high rates of transiency, are a contributing factor of high rates of police intervention and high policing costs associated with some neighbourhoods.

School teachers and principals are increasingly involved in discussions around stable affordable housing because of the negative consequences of inadequate housing are being felt in the classroom. Migrancy of students, the movement of students in and out of a school during the course of the year, is a major issue faced by the Winnipeg School Division. In inner city schools it is not uncommon for children 8 years of age to have transferred in and out of 10 to 15 schools. Families move from one sub-standard home to another. It is almost impossible for children to obtain an education under these type of circumstances. The Winnipeg School Division has recently adopted a public awareness campaign featuring the slogan "One School, One Year" in an attempt to educate inner city parents about the negative consequences of student migrancy. Some inner city schools have established housing registries to encourage families to move into housing accommodation within the school's catchment area if families are forced to move due to inadequate housing conditions. Educators, therefore, see direct links between student behaviour, academic achievement and high turnover rates in their classroom with the lack of stable, safe and affordable housing in the surrounding neighbourhoods.

Social service providers are realizing that welfare rent allowances are in fact supporting much of the substandard housing in the inner city simply because social assistance recipients have to find the cheapest places to live on their restricted shelter allowances. In the 1998/99 fiscal year the amount of social assistance rental allowances expended in the private housing sector in Winnipeg was $55 million. This is a significant annual public investment that needs to be directed to safe and adequate housing, not sub-standard housing.

Health workers are realizing that the growing move towards home-based care means that many people will have a more difficult time recovering from illness because the homes that they live in are unhealthy, overcrowded or unsafe places. In fact, health professionals increasingly attribute poor quality housing as the cause of many health problems.

There is potentially a huge multiplier effect for investment in housing in our communities, including for reduction of other social costs - policing, education, health and social services. More specifically, studies have shown that for each $1 million that is spent on housing construction, 30 person years of jobs and $1.5 million of additional spending is generated in the community. [2] Studies on renovation spending show an even greater benefit to the local community, in terms of job creation, and long term community improvement. Some studies suggest that each dollar spent on renovation generates a multiplier of 14.2. [3]

However,

- there are few active proponents for affordable housing in our community
- those that do exist need support in order to achieve their capability to act
- while it is commendable that various community-based non-profit housing groups diligently renovate 30 houses each year, the scale of the work that they are doing is no where near what is required in order to make a meaningful impact
- there is still great difficulty in accessing funding and financing

These are the issues that the Inner City Housing Foundation intends to address through a community, private and public sector partnership.

4.0 Program Description

The Inner City Housing Foundation will look for methods to attract private and public sector equity investment. These will be developed and implemented to increase accessibility to affordable, quality housing within a neighbourhood/community development context.

The intention of the Foundation is to encourage a dramatic example of sustainable development. In doing so, the program envisions an annual acquisition of 100 to 150 homes. Efforts will be employed to insure that significant numbers of homes will be in proximity, allowing for comprehensive community development. A house alone will not suffice: a home in a community, will.

Existing and new community based groups will be encouraged to apply for resource support from the Inner City Housing Foundation. In doing so, we will attempt to maximize existing infrastructures and avoid duplication of costs and delivery services. Participant members will benefit from access to innovative financing methods; management models; technical construction expertise; and in some instances, vocational training. Each group will have, and maintain its own particular requirements.

---

[2] Economic Impacts of Residential Construction, C.M.H.C. 1993

[3] "Renovation is good for the economy", Saskatoon Star-Phoenix, April 26, 1998, reporting on a study by the Saskatoon Chamber of Commerce

The community housing groups would present an application for funding on an annual basis to the Inner City Housing Foundation. The Foundation will review applications to assess the community development, construction management and financial management capacity of the groups to carry out their identified housing initiatives. If groups lack the required capacity to carry out the housing project, the Foundation will link the community housing group to technical assistance providers that can help the group develop the capacity required to successfully undertake their identified housing projects.

The role of the Inner City Housing Foundation will also be to monitor and evaluate the work of the community housing groups on an annual basis. This is an important accountability function that will serve to maintain a standard of service of the housing groups to the communities they serve as well as to the funders of the Foundation.

4.1 Innovative Financing

By definition the housing groups that will work with the Inner City Housing Foundation do not qualify for conventional financing. This is because:

- The resident members do not qualify for a mortgage due to low incomes;
- The group, through its members has little or no equity available for down payments;
- The needs of the group determine a housing product that is unconventional.

Innovative finance will allow these groups to establish solid community connections and develop an equity base from a combination of "sweat equity" and consistently managed payments. Assistance will also be provided to ensure the development of expertise required for community groups and households to become viable owners and operators of their housing.

4.2 Program Parameters

At first, acquisition and development will be within clearly defined geographic borders in the inner city. Eventual home ownership will partly determine the suitability of participants i.e. family groups that have worked to develop necessary skills and attitudes towards owning and maintaining their own house will be given priority. Total household earnings and concomitant ability to acquire conventional financing will be part of a qualifying formula. Generally, those families who have an income, but not enough, or of a nature that does not qualify for conventional finance; have not previously been able to be successful property owners; and, are willing to oblige themselves to a long term commitment, will qualify.

5. Financing Model

The Inner City Housing Foundation will build a capital endowment fund over a 5 year period with an estimated value of $38 million (projected 6% compounded annually) and capable of supplying an average annual operating budget of $2.25 million in perpetuity. The endowment fund would be raised from contributions from the federal, provincial, and municipal governments, along with the voluntary and private sectors. In addition to providing funding for the capitalization of the endowment fund, the three levels of government would provide start up funds for the first 5 years of operation of the Foundation in order to begin to immediately address the urgent need for housing renewal resources in the inner city

5.1 Endowment Fund

Each of the three levels of government would contribute $7.5 million to the endowment fund over a 3 year period of time. The voluntary and private sector would initiate a fund raising campaign and contribute $7.5 million over a 4 year period. It is projected that monies will compound at 6% per annum resulting in a $38 million endowment fund by year 5. No funds will be withdrawn from the endowment fund until the end of the 5th year. An existing philanthropic organization would be approached to manage the endowment fund. (for example the Thomas Sill Foundation has provided effective leadership and support with regards to the issue of inner city housing)

Funder - Endowment Fund	**2000**	**2001**	**2002**	**2003**	**2004**	**Total**
Government of Canada	2.5M	2.5M	2.5M	-	-	$7.5M
Province of Manitoba	2.5M	2.5M	2.5M	-	-	$7.5M
City of Winnipeg	2.5M	2.5M	2.5M	-	-	$7.5M
Voluntary/Private Sector	1.0M	1.5M	2.5M	2.5M	-	$7.5M
Sub-Total	**8.5M**	**9.0M**	**10M**	**2.5M**	**-**	**$30M**
Enhancement - Interest Earned					**8.0M**	**$ 8M**
Total						**$38M**

5.2 Start-up Operating Fund

Each of the three levels of government would provide start-up operational funding for the Foundation in the amount of $1 million each for a 5 year period. These funds would cover initial administration costs of the Foundation and grants for the "soft" and "hard" housing resources required by the community housing groups in the first 5 years of operation of the Foundation. The annual $3 million allocation of start-up operational funding from the three levels of government would involve the provision of $500,000 for administration/fundraising costs and $2.5 million for the actual housing program. The administration costs would include a manager, fund raiser and fund raising campaign budget; and funding in cooperation with Winnipeg Housing Rehabilitation Corporation for construction management personnel, bookkeeper and clerical staff, as well as office overhead expenditure.

Funder - Start-up Operating Fund	**2000**	**2001**	**2002**	**2003**	**2004**	**Total**
Government of Canada	1M	1M	1M	1M	1M	$5M
Province of Manitoba	1M	1M	1M	1M	1M	$5M
City of Winnipeg	1M	1M	1M	1M	1M	$5M
Total	**3M**	**3M**	**3M**	**3M**	**3M**	**$15M**

5.3 The Money Back Guarantee

Toward the end of the 5 year start-up phase, the impact of the Inner City Housing Foundation's housing renewal program would be evaluated. If the initiative is seen as ineffective or inadequate, the contributed funds and earned interest enhancement that is held in the endowment fund could be redistributed to the three levels of government. The voluntary/private sector contribution to the endowment fund could be transferred to an existing philanthropic organization to be disbursed for the benefit of the community. (for example, the United Way)

If the 5 year start-up phase is viewed to be a success, a determination would be made regarding the annual funding requirements of the Inner City Housing Foundation. At this stage in time a number of funding strategies could be explored to supplement the annual operating revenue of $2.25 million generated by the earnings from the endowment fund. This could include continuing an ongoing annual fundraising campaign in the voluntary/private sector and/or the provision of annual grants or capital formation assistance tools from the public sector.

5.4 Financial Summary

Funder	2000	2001	2002	2003	2004	Total
Government of Canada:						
Endowment Fund	2.5M	2.5M	2.5M	-	-	$7.5M
Start-up Operating Fund	1.0M	1.0M	1.0M	1.0M	1.0M	$5.0M
Province of Manitoba:						
Endowment Fund	2.5M	2.5M	2.5M	-	-	$7.5M
Start-up Operating Fund	1.0M	1.0M	1.0M	1.0M	1.0M	$5.0M
City of Winnipeg						
Endowment Fund	2.5M	2.5M	2.5M	-	-	$7.5M
Start-up Operating Fund	1.0M	1.0M	1.0M	1.0M	1.0M	$5.0M
Voluntary/Private Sector						
Endowment Fund	1.0M	1.5M	2.5M	2.5M	-	$7.5M
Enhancement						
Interest on Endowment Fund					8.0M	$8.0M
Sub-Total	**11.5M**	**12M**	**13M**	**5.5M**	**11M**	**$53M**
Additional Accessed Funding						
Financial Sector						
(Mortgages for 150 homes/year)	4.5M	4.5M	4.5M	4.5M	4.5M	$22.5M
Total	**16M**	**16.5M**	**17.5M**	**10M**	**15.5M**	**$75.5M**

5.5 Direct Resource Leveraging Ratics

The Inner City Housing Foundation will mobilize $75.5 million of resources in the first 5 years of its existence. Each funding partner will leverage the following resources:

Government of Canada - $5 leveraged for every $1 contribution
Province of Manitoba - $5 leveraged for every $1 contribution
City of Winnipeg - $5 leveraged for every $1 contribution
Voluntary/Private Sector - $9 leveraged for every $1 contribution

6. Benefits

The members of the Inner City Housing Foundation Working Group believe that stable, affordable housing is essential to the economic and social well being of our community. Housing is an appropriate and beneficial focus for social investment, with the added benefit that housing stays in the community forever. Therefore, returns on investments can be measured not just in financial, but also social terms - improvement in the quality of life of the community, reduced social costs, stabilization of neighbourhoods - all intangibles that most investments overlook.

To Governments

- addressing housing needs is a primary focus for preventive health, education and social service programming, and should reduce future social costs
- investment in housing stays in the province, and increases "multiplier" of spending for jobs, materials, taxes and other household expenditure
- brings much needed private investment and involvement into affordable housing
- improves leverage of public sector spending by attracting private and voluntary sector investment
- increases "social capital", capacity of communities to tackle housing and community development needs
- enables partnership between governments, private sector, and community organizations to improve the quality of life in the whole community

To Community

- maximize the use of existing resources, housing stock and infrastructure to increase the availability of affordable housing
- revitalization of at-risk neighbourhoods by directing investment into those communities, and providing a way for invested funds to stay in the community
- sustain the social resources and networks that support individuals and households in the community
- brings both private and charitable sectors further into community development and housing arena

To Community Organizations

- greater availability of funding and financing will encourage communities to take action on housing and neighbourhood re-development
- expertise and support provided will assist developing the skills and abilities of community groups to better manage the housing resources in their community

To Participating Households

- overcome existing barriers to low and fixed income participation in ownership of their housing by offering new ways of financing housing acquisition and development
- ownership of housing brings stability to families, sense of belonging to community
- ownership in housing builds equity, creates more choices and opportunities for the future
- opportunities for skills enhancement and training within a supportive environment

6. Conclusion

The decline of the inner city impacts the city of Winnipeg as a whole - both in financial and economic terms. Winnipeg is a caring community that has a history of pulling together to face the challenges which need to embraced - whether it be a threat such as the flood of 1997 or major world class event such as the Pan American Games of 1999. We need to build on this sense of community and cooperation in order to address a challenge in our community that threatens our well being as a city. The challenge of inner city housing renewal cannot be addressed by any one sector on its own. A voluntary-private-public sector partnership is required in order to tackle this issue. It will require a long term and comprehensive approach. This means that housing renewal must be done within a community building context. The easiest task is to build and renovate the houses. The real task, however, is to build community. The Inner City Housing Foundation provides a vehicle to mobilize interest and resources in our community regarding inner city housing revitalization. The Foundation is not a panacea for change, nor is it a replacement for the role of government in the social housing field. However, the Inner City Housing Foundation could be one resource in a continuum of resources that are required to address the issue of inner city housing renewal in our community.

APPENDIX "A"

Inner City Housing Foundation
Working Group

Working Group Members:

Inner City Housing Groups

Aboriginal Council of Winnipeg
Kinew Housing
West Broadway Development Corp.
Solutions To Overcome Poverty
Winnipeg Housing Rehabilitation Corp.
Aiyawin Housing
North End Housing Project
Lions Club Housing
Winnipeg Inner City Home Ownership
Just Housing

Voluntary Sector

United Way
Thomas Sill Foundation

Private Sector

Assiniboine Credit Union
Toronto Dominon Bank
Bank of Nova Scotia
Bannatyne Financial
CIBC
Royal Bank
Portage Ave. Property Owners Assoc.

Public Sector

City of Winnipeg - Urban Planning Branch
City of Winnipeg - Mayor's Office
Province of Manitoba - Department of Housing
Province of Manitoba - Native Affairs Secretariat
Province of Manitoba - Taking Charge Program
Government of Canada - Canada Mortgage and Housing Corporation

APPENDIX "B"

Issues that need to be addressed that will impact Foundation

(1) A broad based Board of Directors must be established to oversee the fund and to review business plan requests for funding. It is important that the Board of Directors understand and accept the community-building approach to community development.

The Government of Canada must address policies on (2) renovation grants and loans for a comprehensive community-building housing initiatives; (3) infill housing resources; (4) a tax credit program to assist in the formation of capital for inner city housing renewal; and (5) community development resources required for inner city housing renewal.

C.M.H.C. must address policies on (6) underwriting loan guarantees so that financial institutions can provide mortgages to low and fixed income people; and (7) sweat equity contributions to housing rehabilitation.

The Province of Manitoba must address policies on (8) renovation grants and loans; (9) infill housing resources; (10) a tax credit program to assist in the formation of capital for inner city housing renewal; (11) community development resources required for inner city housing renewal; (12) policies regarding liens on social assistance payments toward principal mortgage payments; (13) social assistance rental allowance rates that are currently forcing people into slum housing; and (14) amendments to the City of Winnipeg Act to expedite tax sale proceedings for boarded up houses, prevent the "flipping of property by slum landlords in order to avoid building code enforcement orders, provide community protection from boarded up houses and increase fines for landlords that do not comply with building and health code orders.

The City of Winnipeg must address policies on (15) renovation grants and loans; (16) infill housing resources; (17) community development resources required for inner city housing renewal; (18) fee waivers and tax incentives to promote inner city housing renewal; (19) building code equivalency modifications to reduce the cost of housing rehabilitation; and (20) sub-dividing and leasing City-owned vacant land to adjacent properties in order to expand yard space in inner city neighbourhoods or to permit neighbourhood based groups to use vacant lots for community gardens and tot lots.

Financial institutions need to address (21) credit history challenges of families on low and fixed incomes.

Voluntary sector funders and foundations need to address policies on (22) expanding the eligibility of funding requirements to include funding for "soft" supports required for inner city housing renewal.